

## Message Text

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ACTION ARA-20

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 OPIC-12 AID-20

IGA-02 TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00

L-03 OMB-01 SP-03 CIEP-02 NSC-07 SS-20 STR-08 CEA-02

DRC-01 /149 W

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P R 062028Z JUN 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 6792

INFO AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: ECON, ETRD, CU, AR, BE

SUBJECT: ARGENTINE TRADE WITH CUBA-GREGG LICENSE/EXPORT CASE

REFS: A. BUENOS AIRES 3501, B. BUENOS AIRES 3234

1. SUMMARY. ADDITIONAL NEW CASE INVOLVING COMPLICATIONS FROM APPLICATION OF US CUBAN ASSETS CONTROL REGS, AS THEY AFFECT ARGENTINE ABILITY SUPPLY GOODS TO CUBA, HAS ARISEN. CASE INVOLVES FACTORY IN BELGIUM OF US FIRM AND, THEREFORE, MAY INVOLVE GOB. DEPARTMENT COMMENT AND INSTRUCTIONS REQUESTED. END SUMMARY

2. AS RELATED TO EMBAOFF ON JUNE 5, FOLLOWING APPROXIMATELY 3 MONTHS OF NEGOTIATIONS, ARGENTINE FIRM, BOGECO, AGENT IN ARGENTINA FOR SOCIETE GREEG DE EUROPE, LTD OF LOT BELGIUM, SIGNED A CONTRACT IN LATE MAY WITH IMPORTANT RAILWAY CAR MANUFACTURER, EMEPA, FOR PROVISION OF 1,000 "BOGIES," TO BE SUPPLIED FROM BELGIUM, EMEPA IS IMPORTANT SUPPLIER TO ARGENTINE NATIONAL RAILWAYS AND BOGECO PRESIDENT STATES THAT HE AND HIS SALESMEN BELIEVED THROUGH PERIOD OF NEGOTIATIONS THAT BOGIES WERE FOR SUCH A CONSTRUCTION PROJECT. FOLLOWING COMPLETION

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OF CONTRACT IN LATE MAY, VISITING EXECUTIVES OF SOCIETE

GREGG AND BOGECO LEARNED THAT, IN FACT, BOGIES WERE TO BE INCORPORATED IN RAILWAY CARS TO BE BUILT UNDER CONTRACT FOR 500 RAILWAY CARS BETWEEN EMEPA AND CUBAN PURCHASING MISSION.

3. EMBASSY WAS TOLD OFFICIALS OF SOCIETE GREGG INFORMED GREGG CO. LTD, 15 DYATT PL., HACKENSACK NJ, TEL 201-489 2440, OF DEVELOPMENTS DESCRIBED ABOVE BECAUSE LATTER FIRM OWNS MAJORITY OF STOCK OF SOCIETE GREGG. BOGECO PRESIDENT UNDERSTANDS THAT OFFICERS OF GREGG CO. LTD CONSULTED WITH APPROPRIATE US OFFICIALS IN WASHINGTON AND WERE TOLD SOCIETE GREGG SHOULD NOT SUPPLY BOGIES UNDER CONTRACT WITH EMEPA. FOLLOWING INSTRUCTIONS FROM SOCIETE GREGG HEADQUARTERS IN BELGIUM, BOGECO PRESIDENT, IN EARLY JUNE, WROTE LETTER TO EMEPA SEEKING TO CANCEL CONTRACT BY CLAIMING FORCE MAJEURE. EMEPA MANAGEMENT REFUSED TO ACCEPT BOGECO LETTER AND, APPARENTLY AWARE THAT GREGG/BOGECO ARE INHIBITED ONLY BY USG, THREATEN LAWSUIT AND ADVERSE PUBLICITY CAMPAIGN. BOGECO PRESIDENT, HIMSELF A BELGIAN, CLAIMED EMEPA HAS SENT REPS TO BELGIAN EMBASSY TO FILE COMPLAINT ON SUBJECT. WE HAVE CHECKED THIS STATEMENT WITH BELGIAN EMBASSY AND FIND IT CORRECT. EMEPA REP ALSO TOLD BELGIAN EMBASSY OFFICER IT WOULD FIGHT FOR IMPLEMENTATION OF CONTRACT AND HINTED BELGIANS COULD NOT EXPECT TO COME OUT WITHOUT DAMAGE TO IMAGE IF EMEPA FORCED TO INITIATE PUBLICITY CAMPAIGN.

4. BELGIAN EMBASSY OFFICERS HERE INDICATE THEIR PRIMARY DESIRE IS NOT BECOME ASSOCIATED WITH THIS CASE IN ANY WAY. THEY FEEL THAT GOB WILL WISH TO AVOID OR MINIMIZE UNFAVORABLE PUBLICITY CONCERNING ANY ACTION TAKEN BY BELGIAN FIRM IN NOT HONORING CONTRACT OR FAILING TO SUPPLY BECAUSE OF USG REGULATIONS WHILE AT THE SAME TIME AVOIDING COMING INTO CONFLICT WITH USG OVER THIS MATTER. THEY FEAR MATTER WILL BE BLOWN UP BY EMEPA AND BE THE SOURCE OF POSSIBLE GOA/GOB PROBLEMS OR USG/GOB PROBLEMS. THEY WILL UNDOUBTABLY FAVOR THE SUGGESTION BEING MADE BY BOGECO PRESIDENT THAT SOCIETE GREGG HONOR CONTRACT AND SUPPLY BOGIES WHILE REMOVING FROM ALL EQUIPMENT ANY INDICATION THAT GREGG OR SOCIETE GREGG IS BUILDER/SUPPLIER.

5. EMBASSY RECOGNIZES DIFFERENCES BETWEEN THIS CASE AND THAT OF US AUTO FIRMS' SUBSIDIARIES IN ARGENTINA AND OF LIMITED OFFICIAL USE

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DIFFERENCES BETWEEN THIS CASE AND THAT OF WESTINGHOUSE AND GOODYEAR CASES IN REFTELS. EMBASSY'S PURPOSE IN THIS MESSAGE IS TO INFORM DEPARTMENT AND REQUEST GUIDANCE AND INSTRUCTION. WE DO NOT SEE ANY ACTION THAT WE MIGHT USEFULLY TAKE HERE TO AVOID UNFAVORABLE PUBLICITY FOR USG IF EMEPA CHOOSES TO INITIATE A CAMPAIGN NOR DO WE SEE BASES FOR EFFECTIVE REPRESENTATIONS TO GOA OR EMEPA AT THIS TIME. WE HAVE TOLD PRESIDENT OF BOGECO THAT WE ARE CONSULTING

WITH WASHINGTON AND THAT HE MIGHT USE THIS STATEMENT OF FACT IF HE FOUND IT USEFUL IN SEEKING TO DELAY EMEPA FROM INITIATING LEGAL ACTION OR PUBLICITY. OF COURSE, WE GAVE HIM NO ASSURANCE CONCERNING OUTCOME.

6. EMBASSY SUGGESTS THIS SUBJECT BE MADE MATTER OF CONSULTATION WITH AMBASSADOR HILL WHO IS NOW IN WASHINGTON. MONTLLOR

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## Message Attributes

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